

Termination of Service

Ineligible for Retirement

Once a member terminates employment prior to retirement eligibility, he or she has three options:

1. If the member is vested (has at least 10 years of service), retirement contributions may be left in the system until age 60. The member may apply for service retirement to be effective the first of the month following attainment of age 60. If the member withdraws his or her contributions, the member will not be eligible for retirement benefits.
2. With less than 10 years of service, the member may leave contributions in the system for up to five years. If the member has not returned to employment as a participating member, the account will be terminated and contributions plus any refundable accrued interest will be payable to the member.
3. The member may withdraw all retirement contributions and refundable interest. Member contributions are only refunded at the request of the member upon termination of employment and application for refund.

Note: An approved leave of absence does not constitute termination of employment.

To request a refund, download a [RSA FORM 7, NOTICE OF FINAL DEPOSIT AND REQUEST FOR REFUND](#) and the [SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS](#) or download them from our Web site. Instructions for completing the form are located on the reverse side of the form. Please read the Special Tax Notice for its valuable tax information. The taxable portion of the refund is subject to federal income tax withholding at the rate of 20 percent unless the taxable amount of the refund is transferred directly (rolled-over) from the RSA to the trustee of an Individual Retirement Account, Annuity, or Qualified Retirement Plan.

If the member elects to receive the refund directly, he or she will be refunded 80 percent of the taxable amount of the retirement contributions and refundable interest, if any. The taxable portion of the refund may also be subject to a 10 percent additional tax if the member is less than 59 1/2 years old. No portion of the refund is subject to state of Alabama income tax.

In January following the calendar year in which a taxable refund is made, a 1099-R will be issued to the member who has directly received the refund, regardless of whether the individual rolled-over the refund to a qualified plan within 60 days of the date of withdrawal.

Refund of Contributions

A member's contributions are only refundable at the request of the member upon termination of employment and application for refund (RSA FORM 7). There are no partial refunds; all contributions are refunded in full. Interest on the account is only refunded if the member has at least three years of membership service. The employee is not entitled to the total interest credited to the account. Upon withdrawal, all service credit established with the ERS is canceled. For vested members, the right to lifetime monthly retirement benefits at age 60 is forfeited. No employer contributions are included in refunds paid to the member.

Table of Refunds

Years of Membership Service	Amt of Interest Refunded	Contributions Refunded
Less than 3 yrs	None	All
3 yrs, but less than 16 yrs	50%	All
16 yrs, but less than 21 yrs	60%	All
21 yrs, but less than 26 yrs	70%	All
26 yrs or more	80%	All

By law, interest is credited on the previous year's average balance at the rate of four percent per annum. Refunds may be subject to a federal tax penalty.